MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 1, 2019/2020**

## TIA3121 – INFORMATION SYSTEMS AUDIT

(All sections / Groups)

19 OCTOBER 2019
2.30 pm – 4.30 pm
(2 Hours)

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**INSTRUCTIONS TO STUDENT**

1. This question paper consists of 4 pages with **ONE** opening case and **FIVE** questions.
2. Answer **ALL** questions with reference to the opening case.
3. All questions carry equal marks and the distribution of the marks for each question is given.
4. Please write all your answers clearly and neatly in the **answer booklet** provided.

**Opening Case:**

PTY Bhd. is a clay brick manufacturing company. It is listed in the Securities Commission since 2010. It is now one of the largest and profitable manufacturers of clay bricks and building materials in Malaysia with operations in Vietnam. The company owns and operates two clay brick plants with the total annual production capacity of more than a million metric tonnes. It produces clay bricks, clay blocks and modular blocks to property developers and construction companies in Malaysia. The customers trust PTY Bhd. for its product quality, business efficiency and management integrity. The company is committed to comply with various policies regulated by the Government and aimed to adopt appropriate IT governance framework. PTY Bhd. is led by Aziz Mokhtar, the CEO. The external auditor for the company is ACO Co.

## QUESTION 1

(a) Why is IT governance important for PTY Bhd.? Provide TWO ways how Aziz could spearhead IT governance?

[4 marks]

(b) Identify TWO internal controls that should be available in the Sales Unit of PTY Bhd.

[2 marks]

(c) One of the objectives of internal control is policy compliance. Determine TWO policies that PTY Bhd. should comply to.

[2 marks]

(d) Due to a large number of invoices to be keyed into the journal, Alice is keying in by batches. The system has detected two errors in inventory number field, 8976650M and 9097588D which has multiple transposition and addition transcription errors respectively. What is the possible outcome of errors that Alice has made?

[2 marks]

## QUESTION 2

(a) The Accounting Manager has identified some special cases as below. What is the suitable input control that should be in place to detect each of these errors automatically?

(i) Company policy states that the overtime for factory worker should no more than 18 hours per week. "81" is detected in the field.
(ii) Employee status data is not found in the Employee database.
(iii) Employee status is categorised by "E" for expatriate and "M" for Malaysian. The entry is a "5" for Danny, a Malaysian.

[3 marks]

**Continued.....**

(b) You are assigned to audit the company's Accounting System. Explain the audit procedures required during planning and field work stages.

[4 marks]

(c) The e-commerce management of PTY Bhd. is outsourced to Power IT Inc. Which type of audit is applicable to Power IT Inc.? Describe the relationship between PTY Bhd., Power IT Inc. and ACO Co. (PTY Bhd.'s external auditing firm).

[3 marks]

## QUESTION 3

(a) Determine the audit risk for PTY Bhd. [*Hint: f(IR, CR, DR)*]

[3 marks]

(b) The IT Manager of PTY Bhd. has acquired latest version of payroll software from outside vendor. As an IT auditor, you are required to determine THREE Key Risk Indicators for the latest version of a payroll software.

[3 marks]

(c) You have identified two security issues related to the physical and logical controls at PTY Bhd., access controls and penetration tests respectively. Identify TWO access control and penetration test risks according to the severity and frequency scale. Based on the Risk Measurement Matrices, determine their level of risk and propose a mitigation strategy where necessary. [*Hint: risk>15 is high risk; risk<4 is low risk*]

[4 marks]

## QUESTION 4

(a) Illustrate an internal control flowchart for PTY Bhd.'s payroll system and identify internal controls based on the following narrative: Hourly employees clock in and out to record their hours worked. Salaried employees do not report time, but they must complete a form available on the company's intranet to account for vacation and sick days. Each week, departmental supervisors deliver time cards to the payroll office. The supervisors also deliver the completed and authorised vacation and sick-day forms. A payroll clerk checks the cards and forms to see that they are complete and then enters them into the payroll system through a PC.

[5 marks]

(b) List TWO methods that Aziz should communicate to the employees to prevent fraud.

[2 marks]

**Continued.....**

c) In view of the recent fraud scandals nationwide, Aziz is collaborating with forensic auditors to conduct interviews with the company executives. Provide THREE advices to ensure that the team will have a fruitful interview session.

[3 marks]

## QUESTION 5

(a) It was found that PTY Bhd.'s website is outdated in terms of the privacy policy. Suggest THREE privacy policies to enhance the existing ones.

[3 marks]

(b) Describe how you would use test data approach when you are auditing PTY Bhd.'s payroll program. An excerpt of the data is shown as follows.

| Employee No. | Name | Hours worked | Gross Pay (RM) | Deductions | Net Pay (RM) |
|---|---|---|---|---|---|
| 1012963 | Smith Robbie | 1000 | 150,000.00 | 25,000.00 | 125,000.00 |
| 1012973 | Allan Yeoh | 850 | 127,500.00 | 0 | 127,500.00 |
| 1012983 | Azmin Shah | 960 | 144,000.00 | 1,200.00 | 142,800.00 |
| 1012993 | Miriam Palvin | 250 | 37,500.00 | 1,999.00 | 35,501.00 |
| 1013003 | Sarah Siti | 379 | 56,850.00 | 500.00 | 56,350.00 |

[2 marks]

(c) Describe how you would use digital analysis to detect fraud in PTY Bhd.

[2 marks]

(d) If PTY Bhd. plans to apply for Symantec third party assurance seal, is it practical? Why?

[3 marks]

**End of Paper.**